

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WHITE HALL)	
WATER DISTRICT, A WATER DISTRICT)	
ORGANIZED PURSUANT TO CHAPTER 74)	
OF THE KENTUCKY REVISED STATUTES)	
OF MADISON COUNTY, KENTUCKY, FOR)	
(1) A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY,)	
AUTHORIZING AND PERMITTING SAID)	CASE NO. 9280
WATER DISTRICT TO CONSTRUCT AN)	
EXTENSION OF ITS PRESENT DISTRI-)	
BUTION SYSTEM TO THE AREAS KNOWN)	
AS PINEUR ACRES . . . AND SHADY)	
HILLS; (2) APPROVAL OF THE)	
FINANCING PLAN OF SAID PROJECT;)	
AND (3) APPROVAL OF INCREASED)	
WATER CONNECTION CHARGES)	

O R D E R

The White Hall Water District ("White Hall") by application filed February 20, 1985, and amended during the proceedings in this matter is seeking approval to borrow \$150,000 and to construct a \$164,080 water main extension project to serve 80 or more applicants for service located in two subdivisions: (1) Shady Hills and (2) Pineur Acres. Contributions from applicants for service at \$176 per applicant in the Shady Hills and Pineur Acres subdivisions will total \$14,080. White Hall's borrowing of \$150,000 will be from the State Bank and Trust Company of Richmond, Kentucky, at an interest rate of 7 percent. This borrowing will be

considered as interim financing needed for the initial phase of a construction project that will ultimately provide for upgrading White Hall's distribution system and the extension of service to about 250 applicants including the 80 to be served by the initial phase of construction addressed herein.

Plans and specifications for the water main extensions to Shady Hills and Pineur Acres as prepared by B. H. Luxon III, Civil Engineers of Richmond, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held in the offices of the Public Service Commission, Frankfort, Kentucky, on May 30, 1985. Intervenors on behalf of Pineur Acres and Shady Hills were Mrs. Mae Whicker and Mrs. Alberta Dunahue. Mr. Charles Sword appeared at the hearing and was permitted to intervene, because he is seeking water service from White Hall for a subdivision under development -- the Walnut Grove subdivision. Mrs. Elizabeth Frost appeared at the hearing as a concerned party of interest.

Distribution System Upgrading

The Commission has for some time been concerned about the adequacy of the White Hall distribution system. The record in this matter and Case Number 8957, the Complaint of Mae Whicker, et al. vs. the White Hall Water District, indicates that growth in demand on the system has caused its

operations to become strained to the point of questionable reliability. Improvements that will effectively upgrade overall capacity and efficiency are necessary for the maintenance of adequate and reliable service throughout the White Hall distribution system. By Order entered April 13, 1984, in Case Number 8957, the Commission found and ordered that:

White Hall's water distribution system is near its design limits and should be upgraded to provide adequate and reliable service to all present and future customers within its established service territory.

Based on finding number 4 herein, White Hall should immediately proceed to seek financial assistance, both public and private, to upgrade its system. Within 30 days of the date of this Order, White Hall should file a schedule with projected target dates for the completion of the improvements necessary to upgrade its water distribution system. This schedule should include all phases, from initial planning to actual completion and operation. White Hall should also file quarterly reports with this Commission outlining the progress being made in meeting its target dates.

White Hall's request for a moratorium on the connection of additional customers should be denied.

In compliance with the April 13, 1984, Order, White Hall is presently preparing plans and has obtained a Farmers Home Administration ("FmHA") commitment for a project loan of \$1,200,000 and a tentative commitment for a community development block grant of \$157,000. This should be sufficient for needed upgrading of its system and provide service for extensions to 250 additional applicants for service.

For appropriate sizing of the upgrading components, a hydraulic analysis of the system was performed by Chrisman-Miller-Woodford, Inc., of Lexington, Kentucky. Mr. Charles Milward of this firm provided testimony at the May 30, 1985, hearing in the instant case. According to his testimony, White Hall can provide water service to Shady Hills, Pineur Acres and Walnut Grove before the improvements are completed only if the mechanical components of its existing distribution system withstand the strain of non-stop operations. Relief from this tenuous operating condition should be provided as soon as possible by completion of the upgrading project. The demand for water from the developing Walnut Grove subdivision will approximate the demand that would occur from an average increase in customers within White Hall's service area.

Main Extension for the Walnut Grove Subdivision

According to the record in this matter, the Walnut Grove developer has borne the cost of the water mains that will serve the subdivision residents. White Hall provided inspection of construction to insure conformance with its standards for water main construction.

White Hall contends that a certificate of convenience and necessity is not required for a developer's construction of water mains for this new subdivision, asserting that it does not involve duplication of any utility facilities, does not involve sufficient capital outlay to materially affect

its financial condition, and does not result in increased costs to its customers. Extensions such as those for the Walnut Grove subdivision have been considered by White Hall as work performed in the ordinary course of business per KRS 278.020(1), which is further defined in Section 8(3) of 807 KAR 5:001 as follows:

Extensions in the ordinary course of business. No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

During the years that White Hall has been operating as a utility, 10 or more subdivisions have been added to its distribution system on the basis that such construction was permitted under the provisions of Section 8(3).

The scope of work permitted under Section 8(3) has been interpreted differently over the years following its adoption. Its intent was to allow regulated utilities the freedom of proceeding with relatively minor construction work required in the ordinary course of business without obtaining Commission approval for such work. The distinction is a difficult one at times.

The Walnut Grove extension, except for the construction of a connection to an existing supply main, is essentially complete. The recently completed hydraulic analysis indicates that existing services will not be adversely affected by the immediate demands of the Walnut Grove extension. No changes in the extension would be imposed by the certificating process and no useful purposes would be served at this time to justify the cost thereof. Under the special circumstances recited here, the Commission concludes that the requirements of KRS 278.020(1) and 807 KAR 5:001(8)(3) for a certificate of convenience and necessity need not be applied to the Walnut Grove extension.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record for water main extensions to Shady Hills and Pineur Acres be performed and that a certificate of public convenience and necessity be granted.

2. The water main extensions for Shady Hills and Pineur Acres include 80 service connections, about 5 miles of 6- and 4-inch water main construction and miscellaneous appurtenances.

3. The low bids received for the water main extensions to Shady Hills and Pineur Acres totaled \$114,300 which will require about \$164,080 in project funding after allowances are made for fees, contingencies, and other indirect costs.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be subject to the prior approval of this Commission.

5. White Hall should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. White Hall should file with the Commission duly verified documentation which shows the total costs of construction for the Shady Hills and Pineur Acres main extensions including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. The construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. White Hall's contract with its Engineer should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The supervision and inspection should insure that the

construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

8. White Hall should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

9. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

10. White Hall should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

11. The proposed borrowing of \$150,000 is for lawful objects within the corporate purposes of White Hall, is necessary and appropriate for and consistent with the proper performance of services to the public by White Hall, and will not impair its ability to perform these services, and should, therefore, be approved.

12. The service connection charge of \$176 per connection in the Shady Hills and Pineur Acres subdivisions is

necessary for White Hall to be eligible for the FmHA funds that will provide for the upgrading of its distribution system and for the extension of mains to serve 250 applicants for service and should, therefore, be approved for connections made in the Shady Hills and Pineur Acres subdivisions until the date that construction therein is completed. After that date, the service connection charge in these subdivisions should be in accordance with White Hall's official tariffs.

13. The Commission's provisions for performing construction without a certificate of convenience and necessity as extensions in the ordinary course of business per 807 KAR 5:001(8)(3) are applicable to the Walnut Grove extensions.

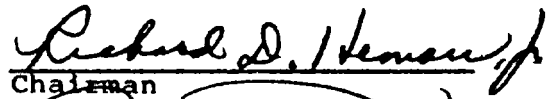
IT IS THEREFORE ORDERED that White Hall be and it hereby is granted a certificate of public convenience and necessity to proceed with the water main extension project for Shady Hills and Pineur Acres described by the plans and specifications of record as herein approved.

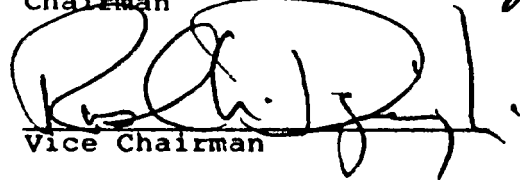
IT IS FURTHER ORDERED that White Hall shall comply with Findings 4 through 13 herein the same as if each of these findings were also ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 26th day of August, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary